GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3090
ANSWERED ON:10.08.2001
INCOME TAX ON MTNL
PAWAN KUMAR BANSAL

Will the Minister of FINANCE be pleased to state:

(a) whether the licence fee paid by Mahanagar Telephone Nigam Limited and Bharat Sanchar Nigam Limited to the Government for providing telecom services is not treated as expenditure for deduction and exemption from total income for computing the income tax; and

(b) if so, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a)&(b): The assessing officer did not allow the claim of deduction in respect of the licence fee paid by the MTNL & BSNL as it was held that such payment is neither on account of overriding title nor, an expenditure incurred wholly and exclusively for the purpose of business under the facts and circumstances of these cases. It was also held that such payment is in the nature of diversion of funds in order to reduce the taxable income. The view taken by the assessing officer has been upheld at the level of first appeal.